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IN THE

Supreme Court of the United States

OCTOBER TERM, 1966

No. 887

UNITED STATES RUBBER COMPANY, *Petitioner,*

v.

UNDERWATER STORAGE, INC.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the District of Columbia Circuit

BRIEF FOR RESPONDENT IN OPPOSITION

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BRIEF FOR RESPONDENT IN OPPOSITION

OPINIONS BELOW

The opinion of the United States Court of Appeals for the District of Columbia Circuit, printed in Appendix E to the petition, pp. 8a-16a, is not yet officially reported. The opinion of the district court, printed in Appendix D to the petition, pp. 6a-7a, is reported at 249 F. Supp. 235.

JURISDICTION

The jurisdictional requisites are adequately set forth in the petition.

QUESTION PRESENTED

In an action brought for damages for the wrongful and continuing appropriation and use of a trade secret, and for injunctive relief, the question presented is whether the action is barred by limitations merely because the initial misappropriation occurred more than three years prior to the commencement of the action.

STATUTE INVOLVED

Act of December 23, 1963, 77 Stat. 510, Pub. L. 88-241, § 1, D.C. Code § 12-301, provides in pertinent part:

> "Except as otherwise specifically provided by law, actions for the following purposes may not be brought after the expiration of the period specified below from the time the right to maintain the action accrues:
>
> * * *
>
> (8) for which a limitation is not otherwise specially prescribed—3 years."

STATEMENT

The complaint, filed by respondent in the United States District Court for the District of Columbia[1] on March 27, 1964, alleges that prior to 1958 one Harold G. Quase, respondent's assignor, developed a system for the underwater storage of strategic materials; that in January 1959 he applied for a patent on this system, which was granted on December 17, 1963; and that,

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[1] The district court's jurisdiction rested on D. C. Code, § 11-521, and not, as stated in the petition (p. 5), on 28 U.S.C. 1332.

during various times beginning in 1958, petitioner wrongfully appropriated this system and used it as its own. JA 4-5.[2] Subsequently petitioner entered into a contract to develop an underwater fuel storage system for the Navy, and in December 1960 rendered a report to the Navy setting forth its experience and findings in connection with this project. JA 4. The complaint further alleges that petitioner and its subcontractor thereafter published and advertised that the technical know-how or trade secrets wrongfully acquired by them had been conceived or developed by them. JA 4. Respondent prayed that it be awarded damages and injunctive relief. JA 4.

Petitioner filed an answer which was, in effect, a general denial. Petitioner also pleaded the statute of limitations. JA 5-7.

While respondent was proceeding with pretrial discovery, petitioner moved for summary judgment on the grounds that Quase had testified on deposition that he learned of petitioner's wrongful appropriation in January or February 1961, and that, as this was more than three years prior to the filing of the complaint herein, the entire cause of action was barred by limitations. JA 7-9.

The district court stated the issue as

> "whether a misappropriation and possible use of a trade secret constitutes a continuing tort or whether the tort is complete at the time of the original taking of the secret." (249 F. Supp. at 235).

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[2] References herein to JA are to the joint appendix as printed for the use of the court below.

The district court held there was no continuing tort, that the three-year statute of limitations accordingly barred the action, and granted petitioner's motion for summary judgment. 249 F. Supp. at 236.

On appeal, the Court of Appeals reversed the judgment of the district court, holding that

> "the misappropriation and continuing use of a trade secret does constitute a continuing tort and that an injured party can recover for use during the statutory period preceding the filing of the suit * * *." (App. 13a)[3]

ARGUMENT

The decision of the court below is correct. No conflict of decisions is shown. Nor is the case one of great importance. The case accordingly does not warrant review by this Court. In any event, since the effect of the decision below was merely to deny petitioner's motion for summary judgment and remand the case to the district court for trial, for this Court to exercise its certiorari jurisdiction to review the case at this time would be premature.

1. The single issue in this case, as stated in the Question Presented, *supra,* p. 2, and as posed by the district court, *supra,* p. 3, was correctly decided by the Court of Appeals. The other "Questions Presented" stated in the petition were not before the district court on petitioner's motion for summary judgment, or before the Court of Appeals, and were neither discussed nor passed upon by either court. In brief, those questions are not in the case.

Speaking to the question that is presented—whether a wrongful misappropriator of a trade secret may

[3] "App." references are to the Appendix to the Petition.

make continuing use of that trade secret with impunity merely because the initial misappropriation occurred more than three years (the period of limitations) before commencement of the action—the court below said (App. 15a):

> "We do not believe that a misappropriator or his privies can 'baptize' their wrongful actions by general publication of the secret. Nor do we believe that the fact of the destruction of the secret prevents the continued use by the misappropriator or his privies from being a continuing wrong *vis-a-vis* the original possessor of the secret. It is the continuing use of another's secret, wrongfully obtained, or used after knowledge that it has been wrongfully obtained, that makes the tort a continuing one. Once the secret is out, the rest of the world may well have a right to copy it at will; but this should not protect the misappropriator or his privies."

The rule enunciated by the court below accords not only with numerous decisions in other areas of the law—holding "that a cause of action for each invasion of the plaintiff's interest arose at the time of that invasion and that applicable statute of limitations ran from that time and not from the time of the first invasion" (opinion below, App. 16a)—but also with the law of trade secrets. Petitioner's reliance upon the Restatement of Torts, § 757, is misplaced. The Restatement states the *rule* as follows: "One who discloses or uses another's trade secret, without a privilege to do so, is liable to the other if" the secret was improperly acquired. Further, clause c of § 757, headed "Disclosure or use," states that "The rule stated in this Section protects the interest in a trade secret against both disclosure and adverse use." It is

the *use* that gives rise to the liability, and it is the *use* that starts the running of the limitations period.

In the present posture of this case, it having come up from the district court's order granting petitioner's motion for summary judgment, it must be assumed, as the court below held, that there were instances within the three-year period prior to the filing of the complaint when petitioner used the wrongfully appropriated trade secret. Each unauthorized use by petitioner of respondent's trade secret thus gave rise to a new cause of action, not barred by the statute of limitations to the extent that such uses occurred during the statutory period prior to the filing of the suit. See *Aktiebolaget Bofors* v. *United States*, 93 F. Supp. 131, aff'd, 90 U.S. App. D.C. 92, 194 F. 2d 145; 139 Ct. Cl. 642, 153 F. Supp. 397; *Titcomb* v. *Norton Company*, 208 F. Supp. 9 (D. Conn.).

This is not a novel doctrine. That there may be continuing invasions of one's rights, the cause of action accruing from day to day as the rights are invaded, with the applicable statute of limitations running from each such invasion, has been recognized in private antitrust actions (*Momand* v. *Universal Film Exchanges*, 172 F. 2d 37, 49 (C.A. 1); *Williamson* v. *Columbia Gas and Elec. Corp.*, 186 F. 2d 464, 469 (C.A. 3); *Highland Supply Corp.* v. *Reynolds Metals Company*, 327 F. 2d 725, 732 (C.A. 8); *Charles Rubenstein, Inc.* v. *Columbia Pictures Corp.*, 154 F. Supp. 216, 219 (D. Minn.); *Delta Theatres* v. *Paramount Pictures, Inc.*, 158 F. Supp. 644, 649 (E.D. La.); *Radio Corporation of America* v. *Rauland Corp.*, 186 F. Supp. 704, 707 (N.D. Ill.); *Highland Supply Corp.* v. *Reynolds Metals Company*, 238 F. Supp. 561, 564 (E.D. Mo.)), in continuing nuisance cases (*Baltimore*

& P. R. Co. v. *Fifth Baptist Church,* 137 U.S. 568; *Harrisonville* v *.W. S. Dickey Clay Mfg. Co.,* 289 U.S. 334; 3 Blackstone's Commentaries 220), in trademark infringement cases (*Menendez* v. *Holt,* 128 U.S. 514, 523; *Midy* v. *Midy Laboratories, Inc.,* 77 U.S. Pat. Quar. 429 (Sup. Ct., N.Y.)), and in personal injury cases (*Pieczonka* v. *Pullman Company,* 89 F. 2d 353 (C.A. 2); *Daniels* v. *Beryllium Corp.,* 211 F. Supp. 452 (E.D. Pa.). In *Pieczonka,* an action for damages for wrongful death due to silicosis, the court, speaking through Judge Learned Hand, thus disposed of the limitations defense (89 F. 2d at 356):

> "Schmidt v. Merchants Despatch Transp. Co., 270 N.Y. 287, 200 N.E. 824, 104 ALR 450, held that in these cases the limitation begins to run from the date of breathing the dust, not from the development of silicosis; and that the workman must recover in one suit for all injuries which have resulted, or may result, from his exposure, though they have not yet appeared. It did not hold, however, that an action would not lie for injuries due to the last three years exposure, because recovery was barred for all earlier periods. *The employer got no prescriptive right to contaminate his workmen's lungs.* Therefore the fact that the deceased could not have recovered if he had left the defendant's employ on or before July 4, 1929, did not affect his right to recover at least for the period between July 5, 1929 and September 12, 1931, or for any aggravation of his malady, though already contracted." (Emphasis added)

The court below correctly held that the passage of time gave petitioner no prescriptive right to continue to use the trade secret which it had earlier wrongfully appropriated.

2. No conflict is shown between the decision below and any decision of this Court or of any United States Court of Appeals. *Brulotte* v. *Thys Co.*, 379 U.S. 29, and *Scott Paper Co.* v. *Marcalus Mfg. Co.*, 326 U.S. 249, cited by petitioner, are inapposite. They deal with a question not present in this case, whether a patent monopoly can be maintained beyond the limited life of the patent provided by the Constitution and the patent laws.

Sachs v. *Cluett, Peabody & Co., Inc.*, 265 App. Div. 497, 39 N.Y.S. 2d 853, also cited by petitioner, was a case arising from a consensual relationship. As stated by the court below (App. 13a):

> "Although the court [in Sachs] discussed the tort theory of breach of a confidential relationship and the nature of the property rights protected, we do not read the case as establishing that the misappropriation and continuing use of a trade secret does not constitute a continuing tort."

Indeed, such a reading of *Sachs* would be inconsistent not only with the rule stated in the Restatement of Torts, § 757, *supra*, but also with the decision of the Court of Claims in the *Bofors* case, *supra*.

3. The case is not one of importance. While the opinion below has considerable persuasive value, the decision does no more than declare a rule of local law for the District of Columbia. It is well settled that "Only in exceptional cases will this Court review a determination of such a question by the Court of Appeals for the District [the court below]. *District of Columbia* v. *Pace*, 320 U.S. 698, 702, and cases cited." *Busby* v. *Electric Utilities Union*, 323 U.S. 72, 75; cf. *Miller* v. *United States*, 357 U.S. 301, 306.

4. In any event, in its present posture this case is not mature for review by this Court on certiorari. Aside from deciding that the entire action is not barred merely because the initial misappropriation and use occurred prior to the statutory limitations period, the effect of the judgment below, which reversed the district court's dismissal of the action on petitioner's motion for summary judgment, is to return the case to the district court in the same posture it would have had if the district court had denied petitioner's motion for summary judgment. Such a denial, without more (cf. 28 U.S.C. 1292(b)), would not have been appealable. *United States* v. *Florian,* 312 U.S. 656; *Ercona Camera Corporation* v. *Brownell,* 246 F. 2d 675 (C.A. D.C); *John Hancock Mut. Life Ins. Co.* v. *Kraft,* 200 F. 2d 952 (C.A. 2). On remand to the district court, respondent will be able to complete its pretrial discovery, which had been interrupted by petitioner's motion for summary judgment, and the case can proceed to trial. Whether petitioner or respondent will emerge victorious, whether respondent will be awarded damages and, if so, how much, whether respondent will prove to be entitled to equitable relief—these are questions that must await the outcome of the trial. Either party or both may prosecute further appeals to the court of appeals, and there may even be a further petition for certiorari filed. As stated in *American Construction Co.* v. *Jacksonville Railway,* 148 U.S. 372, 384:

> "* * * many orders made in the progress of a suit become quite unimportant by reason of the final result, or of intervening matters. Clearly, therefore, this court should not issue a writ of *certiorari* to review a decree of the Circuit Court of Appeals on appeal from an interlocutory order, unless it

> is necessary to prevent extraordinary inconvenience and embarrassment in the conduct of the cause."

No such extraordinary inconvenience or embarrassment in the further conduct of the cause has been shown, nor can it be, by petitioner. Nor are there here present other factors impelling this Court's review of an interlocutory order, such as a conflict among the Federal courts as to the meaning of a constitutional provision, the resolution of which "is fundamental to the further conduct of the case." *See United States* v. *General Motors Corp.*, 323 U.S. 373, 377. In these circumstances, even were there any factors in this case indicating review on certiorari, the Court should exercise its discretion so as to avoid the piecemeal review of this litigation.

CONCLUSION

For the reasons stated, the petition for a writ of certiorari should be denied.

Respectfully submitted,

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